



FEMA

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FEMA NEWSDESK: 859-425-3544
KYEM PIO Contact: 502-607-1611
SBA PIO Contact: 404-895-7345

THE DOLLARS AND SENSE OF PREVENTIVE REBUILDING: Cost-Effectiveness of Hazard Mitigation

LEXINGTON, Ky. – “An ounce of prevention is worth a pound of cure.” So said Ben Franklin, for whom both a city and county in Kentucky are named. Perhaps the wisdom of preventive measures has deep roots here. Since the May floods, Kentuckians are hearing a lot about the advantages of flood-resistant rebuilding, a form of hazard mitigation. Hazard mitigation is any action taken to reduce or eliminate long-term risk to human life and property from dangers such as floods, fires, or earthquakes.

Kentuckians may be asking themselves two questions.

- 1. Where will the dollars for such projects come from?**
- 2. Are hazard mitigation investments worth it?**

Paying for Prevention

The U. S. Small Business Administration (SBA) offers a possible answer to the first question. Once individual homeowners or businesses are approved for an SBA disaster assistance loan, they may request an increase in their loan amount to cover mitigation projects.

SBA mitigation loans cover the cost of improvements that will protect a home or business property against future damage. Examples of improvements include retaining walls, seawalls, sump pumps, etc. Mitigation loan money would be in addition to the amount of the approved loan, but may not exceed 20 percent of the total amount of disaster damage as verified by SBA. It is not necessary for the description of improvements and cost estimates to be submitted with the application. SBA approval of the mitigating measures will be required before any loan increase.

For communities, local governments and certain non-profit organizations, the Kentucky Division of Emergency Management (KYEM) and the Federal Emergency Management Agency (FEMA) offer the Hazard Mitigation Grant Program (HMGP). FEMA shares the cost of approved projects with these entities. HMGP projects start at the local level, so contact your County Emergency Manager for details.

The Value of Prevention

To know whether an investment in mitigation is worth it, you need some idea of the cost of *not* investing. The website www.floodsmart.gov offers an interactive tool to help you calculate the cost of flooding on your property. Look for the box with the heading, “What Would Flooding Cost Me?” Enter the information for your property and follow the easy steps to calculate the approximate cost of flood damage.

To evaluate the effectiveness of dollars spent on mitigation, experts usually use two methods. One makes an educated guess about the future; the other compares present to past.

The first method, benefit cost analysis, identifies *future losses likely to be avoided* over the life of the project. It is calculated from probability formulas based on the frequency and severity of disaster events in specific areas. KYEM and FEMA use this method when deciding whether or not to approve a hazard mitigation grant, so if a project gets approved, it's cost-effective.

The second method, called stage-damage functions, *looks back after* an actual disaster event and measures the losses avoided because mitigation measures had been installed earlier. A joint study by FEMA and a city with a history of repeated flooding, like many cities in Kentucky, employed this method. The results showed flood damages prevented from a single event likely exceeded the original project cost "by almost two to one."

If hazard mitigation can save almost half the cost of recovering after a flood or other disaster, that's something Ben Franklin, who said "A penny saved is a penny earned," would surely have considered.

Applicants who receive SBA loan applications must complete and return them to be considered for FEMA grants that cover personal property, vehicle repair or replacement, and moving and storage expenses. No one is obligated to accept a loan.

Additional information about hazard mitigation is available at www.fema.gov/government/grant/hmgrp and kyem.ky.gov/assistance/hazardmitigation.

To view the mitigation cost-effectiveness report cited above, go to www.cityofcentralia.com/Files/CFHMPlan.pdf.

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FEMA's mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.

FEMA's temporary housing assistance and grants for public transportation expenses, medical and dental expenses, and funeral and burial expenses do not require individuals to apply for an SBA loan. However, applicants who receive SBA loan applications must submit them to the SBA to be eligible for assistance that covers personal property, vehicle repair or replacement, and moving and storage expenses.

Disaster recovery assistance is available without regard to race, color, religion, nationality, sex, age, disability, English proficiency or economic status. If you or someone you know has been discriminated against, call FEMA toll-free at 800-621-FEMA (3362). For TTY call 800-462-7585.